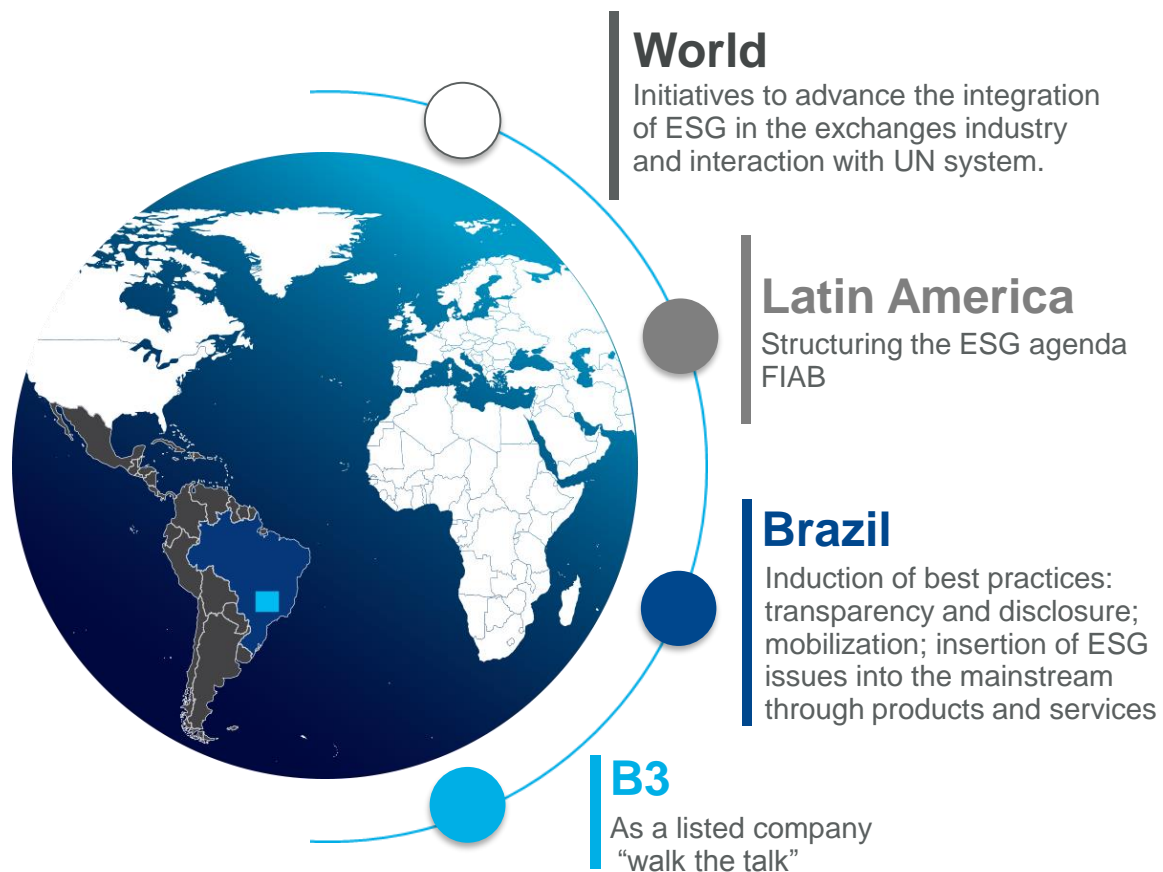


ESG Disclosure for Investor Decisions: Brazilian initiatives for listed companies

September 2018

B3's sustainability agenda

Commitment to a sustainable market



B3's agenda

- Annual Report aligned to the GRI guidelines and the SDG
- GHG Inventory / Third party assurance / Carbon offset
- Response to CDP's Climate Change Questionnaire
- Ring the Bell for Gender Equality 2018
- First signatory in the Americas and the sixth in the world to the Women's Empowerment Principles (WEPEs).

Products and services

- Green bonds
- Sustainability mentorship for companies
- Corporate Sustainability Index – ISE
- Carbon Efficient Index – ICO2

Transparency

- Report or Explain for the SDGs
- ISE and ICO2
- State-Owned Enterprise Governance Program

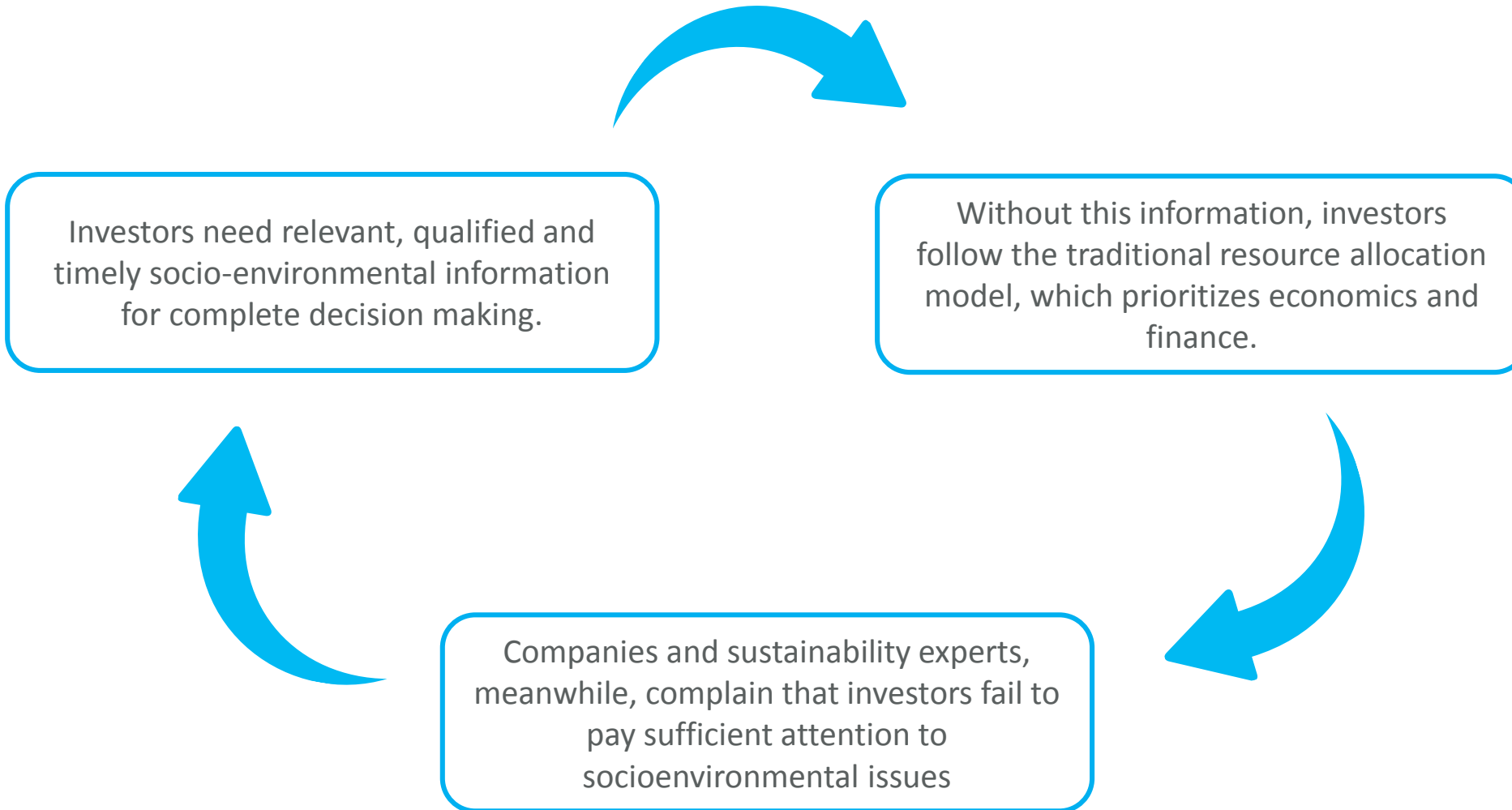
Education

- B3's sustainability guides aligned to the TCFD and the 2030 Agenda for listed companies, privately-held companies and Intermediation Industry.
- Operational Qualification Program (PQO) for brokerage houses and banks

Influence and partnerships

- Member of the Sustainability Working Group (WFE)
- A founding signatory to the Sustainable Stock Exchanges Initiative (SSE)
- Working group's coordination at Ibero-American Federation of Stock Exchanges and Securities Markets (FIAB)
- UN Global Compact Network Brazil: Board's vice-chair
- 1st exchange from an emerging country to be signatory to the Principles for Responsible Investment (PRI)
- Brazilian Commission for Monitoring Integrated Reporting (IIRC)
- Securities and Exchange Commission of Brazil (CVM) – Financial Innovation Laboratory
- Commission on Social Responsibility and Sustainability Febraban
- Member of the Advisory Board of CDP – Disclosure Insight Action Latin America
- Member of the GRI Brazil Advisory Group

The main challenge in ESG disclosure





Sustainability Corporate Index – ISE

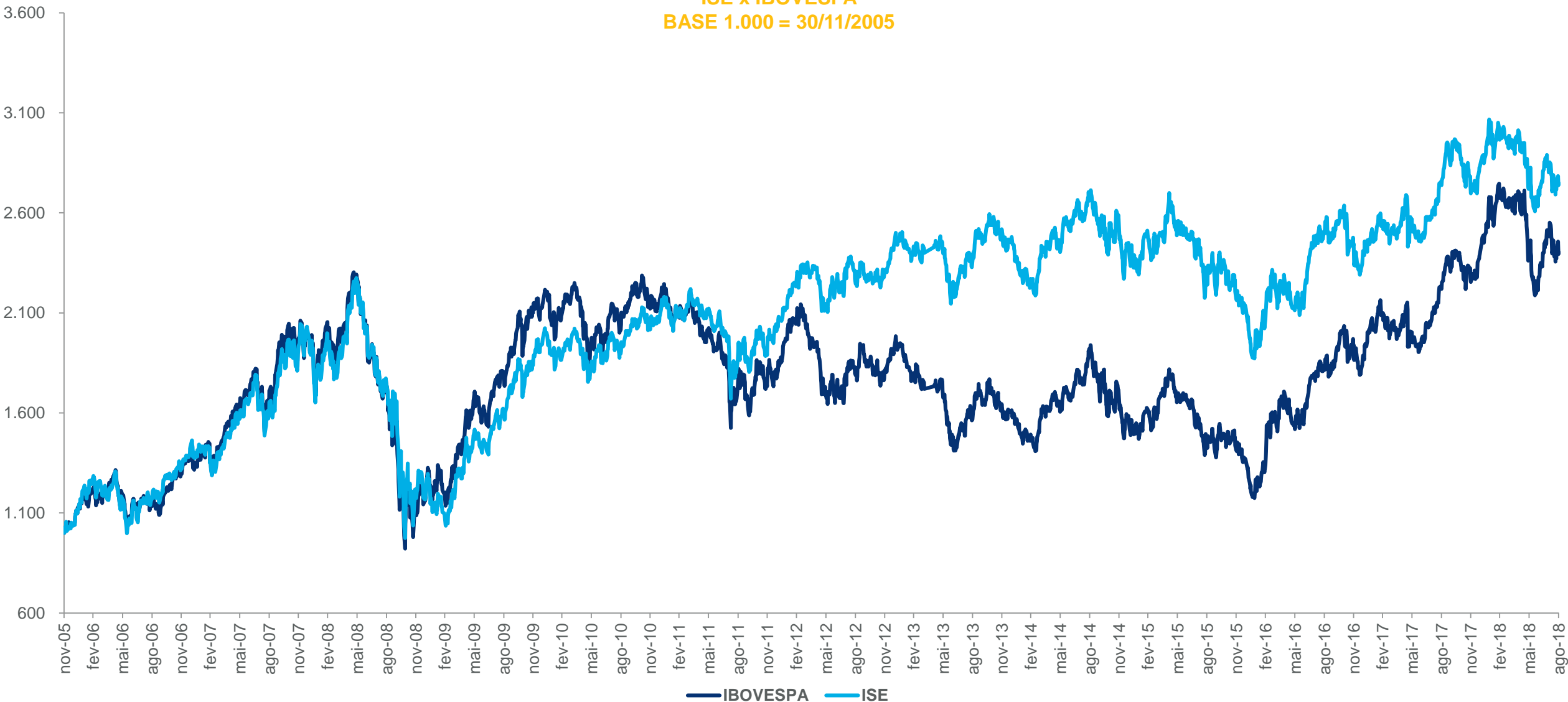
- **2005** – the world's 4th Sustainability Index, 1st in Latin America;
- Composed of up to 40 companies selected from issuers of the 200 most liquid shares;
- Methodology based on a questionnaire that has 7 dimensions and on the submission of evidences;
- **30 companies, 33 stocks, 12 sectors** – R\$ 1.282.433.482.115,40, 41,47% of total market value
- **Exchange Traded Fund (ETF):** Net Worth of R\$ 21.244.469,68 (September 13, 2018).



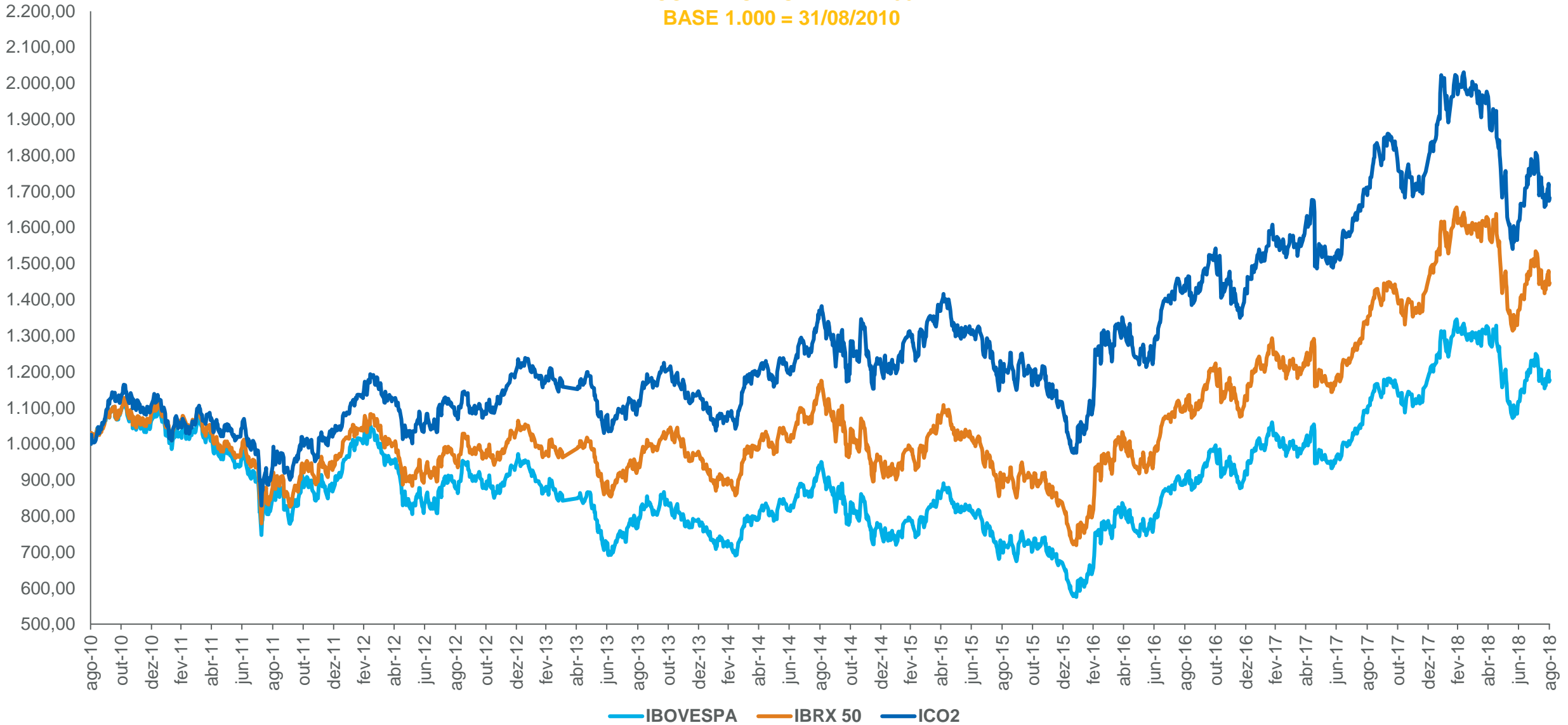
Carbon Efficient Index – ICo2

- **2010** – Partnership between B3 and the Brazilian Development Bank (BNDES);
- Starting point: IBrX-50 portfolio.
- Weighted by companies' greenhouse gas emissions (GHG) and by the companies' liquidity;
- Prerequisite: execute the GHG Inventory;
- **25 companies, 27 stocks, 9 sectors** – R\$ 1.863.734.481.606,64, 41,04% of total market value
- **ETF:** Net Worth of R\$ 76.535.879,00 (September 13, 2018).

Performance Evolution
ISE x IBOVESPA
BASE 1.000 = 30/11/2005



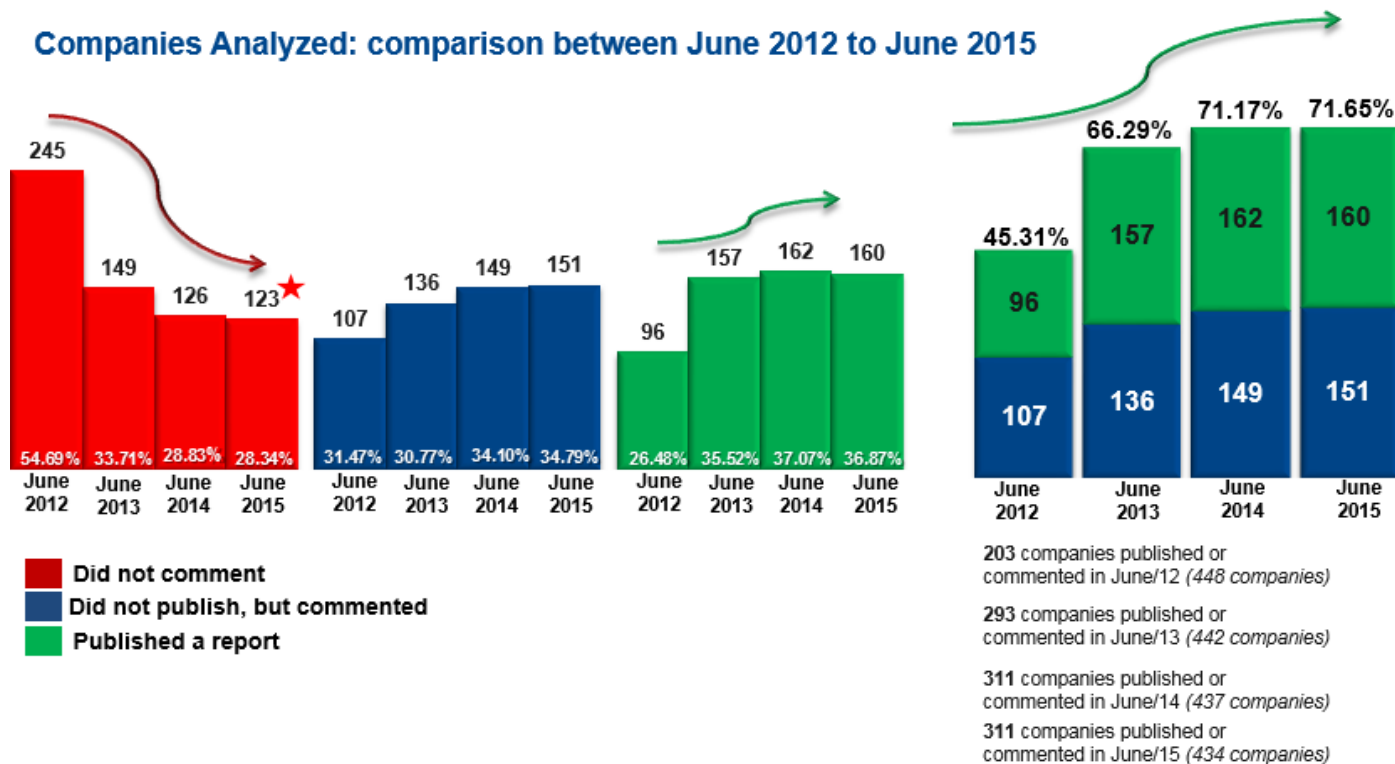
Performance Evolution
ICO2 x IBOVESPA x IBRX50
BASE 1.000 = 31/08/2010



Sustainability or Integrated Reporting

In 2012, the Exchange started recommending all listed companies to inform if they published sustainability or integrated reporting. If not, they should explain the reason for not publishing.

Companies Analyzed: comparison between June 2012 to June 2015



★ 20 companies in special situation. Amongst these companies, four published a report and four did not publish but commented in 2014.

2016 – via Brazilian Regulator CVM

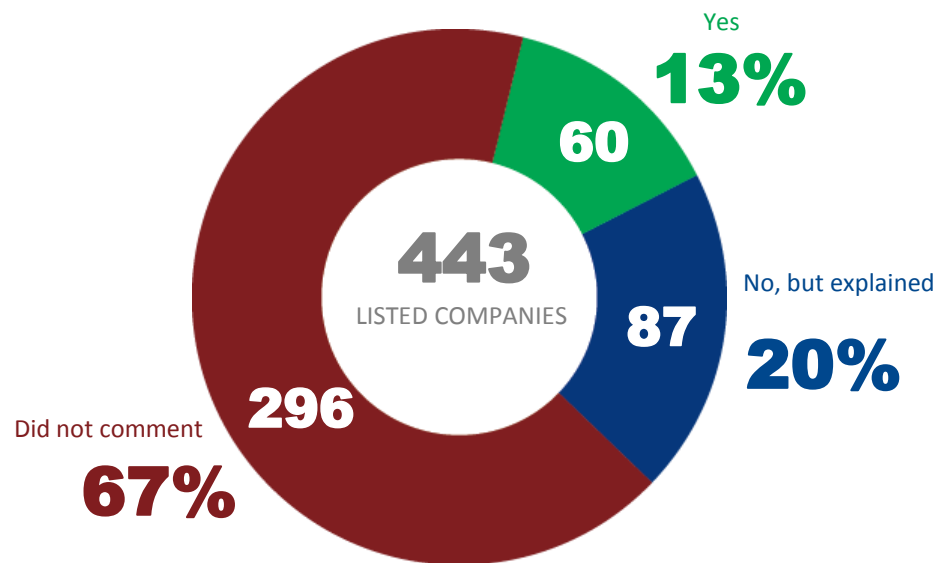
- As of 2016 following a review, the Securities and Exchange Commission of Brazil (CVM) has turned “Report or Explain” into a specific item for ESG issues.

7.8	With regard to sustainability policies, please state:
	a) whether the issuer discloses social and environmental information
	b) the methodology used to do so
	c) whether this information is audited or reviewed by an independent body
	d) the website where this information can be found

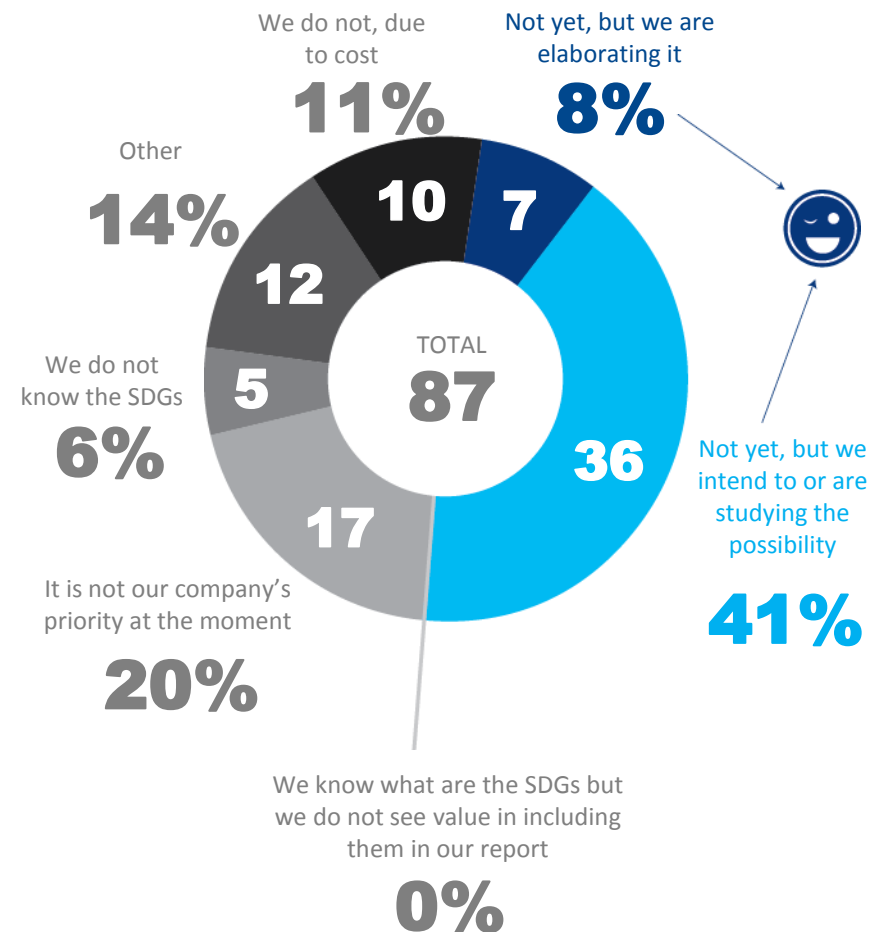
Report or Explain for the Sustainable Development Goals (SDGs) 2017

In partnership with GRI

Does your company elaborate Sustainability or Integrated Reports taking into account the Sustainable Development Goals (SDGs)?



Breakdown of explanations



http://www.bmfbovespa.com.br/en_us/news/report-or-explain.htm

State-Owned Enterprise (SOE) Governance Program

- **Objective:** to enhance **corporate governance practices in state-owned enterprises**. Launched in 2015, after broad discussion with specialists in corporate governance, governmental bodies, mixed-economy societies, scholars, lawyers and market professionals.
- **Program revision** in May 2017 in alignment with the Law 13.303/2016.
- **Voluntary adherence.** The certification is at the moment of the adhesion. The company has 3 years to fully adopt the measures under pain of loss of the certificate.
- **Four courses of action: transparency**, internal control, board composition and obligation of the public controlling shareholder. Under “transparency”, there is a specific item regarding an Integrated or Sustainability Report:

“Chapter 3.1 – Transparency

Art. 20 – The SOE must disclose, by July 31 of each year, a report with environmental, social and corporate governance information, based on an internationally accepted standard, such as the Global Reporting Initiative (GRI) or the international structure for integrated reporting of the Report of the International Integrated Reporting Council (IIRC).

§ 1 In the event that the SOE does not adopt all measures fully at the time of accession, compliance with the measure described in this article 20 is equivalent to one (1) point.

§ 2 The compliance with the measure described in this article 20 will be evaluated according to the following question:”

Does the SOE publish a report with social, environmental and corporate governance information, in accordance with internationally accepted standards?

Compliance = Yes.

Non-Compliance = No.

Green bonds



B3's commitments

- B3's a member of the **Financial Instruments and Impact Investments and Green Bonds working groups of The Laboratory of Financial Innovation (LAB)**, a joint project of the Brazilian Development Association (ABDE), the Inter-American Development Bank (IDB) and the Brazilian Securities and Exchange Commission (CVM).
 - The LAB is a space to discuss international experiences and build an intersectoral dialogue organized in working groups (GT) on four themes: Green Finance, Fintech, Financial Instruments and Impact Investments and Green Bonds.
 - Its aim is to boost the debate on green finance and encourage the creation of sustainable business models, investment instruments and financial structures that will allow the advancement of this new agenda.
- B3 is part of the **Capital Markets Working Group (GTMK)**, coordinated by the Ministry of Finance.
 - Its aim is to raise points of development of the capital market, on topics such as green bonds. In the Green Bond WG, one of the objectives discussed is to expand the scope of Law 12.431 (on differentiated taxation for foreign investors and individuals) so that Green Bond is stimulated in Brazil. Some of the GTMK participants are: Ministry of Finance, BNDES, Central Bank, CVM, B3, FEBRABAN, ANBIMA and ABRAPP.

B3's negotiation platform

- Considering the evolution of discussions on ESG issues and considering the recent bonds with this characteristic in the Brazilian capital market, this project will allow issuers to indicate if their bond has an ESG characteristic in the B3's negotiation platform. The issuers will have to indicate the institution that awarded the certification and the expiration date of the certification.

Thank you!



Sonia Favaretto

Tel: +55 11 2565-6815

E-mail: sonia.favaretto@b3.com.br